

### **What constitutes a conflict of interest?**

A conflict exists when the personal or professional concerns of a board member or a staff member affect his/her ability to put the welfare of the organization before personal benefit. Since nonprofit board members are likely to be involved with many organizations, it is not unusual for an actual or potential conflict of interest to arise.

Conflict of interest relates to ethical behavior which covers all aspects of governance. A statement by Independent Sector describes three levels of ethical behavior: obeying the law; decisions where right action is clear, but one is tempted to take a different course; and decisions that require a choice among competing options (this poses the most difficult dilemmas for nonprofit boards).

### **Why must we be concerned about conflict of interest?**

Board members have a legal responsibility to assure the prudent management of an organization's resources. In fact, they may be held liable for the organization's actions.

### **What is the importance of having a conflict of interest of policy?**

The IRS strongly encourages nonprofits to not only have a conflict of interest policy but also to consistently monitor and enforce it. Because public confidence is important to most nonprofits, boards should take steps to avoid even the appearance of impropriety.

A policy on conflict of interest has three essential elements: full disclosure, board member abstention from discussion & voting on matters presenting potential or actual conflicts, and staff member abstention from decision-making on matters presenting potential or actual conflicts.

### **More Info**

More from BoardSource.org (primary source)

<http://www.boardsource.org/Knowledge.asp?ID=3.389>

More on the topic and a sample policy

[http://nmarts.org/assets/files/conflict\\_of\\_interest\\_samples.pdf](http://nmarts.org/assets/files/conflict_of_interest_samples.pdf)

IRS info on nonprofit governance

[http://www.irs.gov/pub/irs-tege/governance\\_practices.pdf](http://www.irs.gov/pub/irs-tege/governance_practices.pdf)

Sample conflict of interest policies

[http://www.hurwitassociates.com/l\\_conflict.php](http://www.hurwitassociates.com/l_conflict.php)